

State of Arizona
Senate
Fiftieth Legislature
Second Regular Session
2012

CHAPTER 21

Senate Engrossed
FILED
KEN BENNETT
SECRETARY OF STATE

SENATE BILL 1366

AN ACT

AMENDING SECTION 35-313, ARIZONA REVISED STATUTES; RELATING TO THE INVESTMENT
OF PUBLIC MONIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 35-313, Arizona Revised Statutes, is amended to
3 read:

4 35-313. Investment of trust and treasury monies; loan of
5 securities

6 A. The state treasurer shall invest and reinvest trust and treasury
7 monies in any of the following items:

8 1. Obligations issued or guaranteed by the United States or any of its
9 agencies, sponsored agencies, corporations, sponsored corporations or
10 instrumentalities.

11 2. Collateralized repurchase agreements purchased from securities
12 dealers that make markets in those securities listed in paragraph 1 of this
13 subsection.

14 3. Bonds or other evidences of indebtedness of this state or any of
15 the counties or incorporated cities, towns or duly organized school
16 districts.

17 4. Commercial paper whose issuer is rated in one of the two highest
18 rating categories for short-term obligations by any two nationally recognized
19 statistical rating organizations.

20 5. Bills of exchange or time drafts known as bankers acceptances that
21 are drawn on and accepted by a commercial bank.

22 6. Negotiable certificates of deposit issued by a nationally or state
23 chartered bank or savings and loan association.

24 7. Bonds, debentures, notes or other evidences of indebtedness that
25 ~~are issued by entities organized and doing business~~ DENOMINATED in the United
26 States DOLLARS and that carry as a minimum one of the Baa ratings of Moody's
27 investors service or one of the BBB ratings of Standard and Poor's rating
28 service or their successors.

29 8. Securities of or any other interests in any open-end or closed-end
30 management type investment company or investment trust, including exchange
31 traded funds whose underlying investments are invested in securities allowed
32 by state law, registered under the investment company act of 1940 (54 Stat.
33 789; 15 United States Code sections 80a-1 through 80a-64), as amended. For
34 any treasurer investment pool that seeks to maintain a constant share price,
35 both of the following apply:

36 (a) The investment company or investment trust takes delivery of the
37 collateral for any repurchase agreement either directly or through an
38 authorized custodian.

39 (b) The investment policy of the investment company or investment
40 trust includes seeking to maintain a constant share price.

41 9. Certificates of deferred property taxes as provided by section
42 42-17309.

43 10. Treasurer's warrant notes issued pursuant to section 35-185.01 or
44 registered warrants of a county issued pursuant to section 11-605, if the

1 yield is equal to or greater than yields on eligible investment instruments
2 of comparable maturities.

3 11. Shares in the treasurer's local government investment pools
4 pursuant to section 35-326 provided that investment policies of the pool seek
5 to maintain a constant share price.

6 12. Shares in the treasurer's long-term local government investment
7 pools, which terms are determined by the state board of investment, pursuant
8 to section 35-326.01.

9 13. Subject to subsection D of this section, state transportation board
10 funding obligations delivered pursuant to section 28-7678.

11 14. Certificates of deposit purchased in accordance with the procedures
12 prescribed in section 35-323.01.

13 B. In case of default or failure to honor a county treasurer's
14 warrant, the state treasurer may withhold the first state shared revenues
15 that would otherwise be distributed to the defaulting county in the amount
16 necessary to honor the note, including accrued interest to and beyond the
17 date of default.

18 C. The state treasurer may contract to loan securities owned by the
19 trust funds and operating monies deposited in the investment pools pursuant
20 to section 35-316, subsection B to the financial or dealer community through
21 one or more of the entities listed in section 35-317, subsection A, or
22 authorized by the board of investment pursuant to section 35-311, subsection
23 E, if the borrower transfers collateral to the state treasurer or acting
24 agent of the state in the form of cash or securities specified in subsection
25 A of this section. Collateral posted in the form of cash shall be in an
26 amount equal to at least one hundred per cent of the market value of the
27 loaned securities as agreed. Collateral posted in the form of securities
28 shall be in an amount of no more than one hundred ten per cent of the market
29 value of the loaned securities as established from time to time by the board
30 of investment. The loaned securities shall be valued as to market value
31 daily, and, if necessary, the borrower shall post additional collateral, as
32 agreed, to ensure that the required margin is maintained. The state
33 treasurer may collect from the borrower all dividends, interest, premiums,
34 rights and other distributions to which the lender of securities would
35 otherwise be entitled. The state treasurer may terminate the contract on not
36 less than five business days' notice, as agreed, and the borrower may
37 terminate the contract on not less than two business days' notice, as agreed.

38 D. The state treasurer shall invest operating monies in state
39 transportation board funding obligations delivered pursuant to section
40 28-7678 pursuant to the following:

41 1. The state treasurer shall liquidate investments of operating monies
42 if necessary in order to invest in state transportation board funding
43 obligations, except that if operating monies in the state general fund fall
44 below an eight hundred million dollar average over the previous twelve

1 consecutive months, the state treasurer is not required to purchase state
2 transportation board funding obligations pursuant to this subsection.

3 2. Each series of state transportation board funding obligations shall
4 bear interest at a fixed interest rate equal to the mean bid-ask price of the
5 United States treasury obligation with a maturity date closest to the
6 maturity date of the state transportation board funding obligation as
7 published most recently in the Wall Street Journal before the date the state
8 treasurer receives a certificate from the state transportation board that
9 states the board's determination to deliver an obligation to the state
10 treasurer and the anticipated delivery date of the obligation. The delivery
11 date shall be between fifteen and sixty days after the day the state
12 treasurer receives the certificate.

13 3. The state treasurer shall provide written notice to the state
14 transportation board and the director of the department of transportation
15 when the operating monies fall below four hundred million dollars. If
16 operating monies fall below two hundred million dollars, the state treasurer
17 may call the investment in the state transportation board funding obligations
18 in twenty-five million dollar increments up to the amount that the operating
19 monies are below two hundred million dollars. The state treasurer shall give
20 the state transportation board and the director of the department of
21 transportation at least fifteen days' notice of the call.

APPROVED BY THE GOVERNOR MARCH 13, 2012.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 13, 2012.

Passed the House March 8, 2012,

by the following vote: 56 Ayes,

0 Nays, 4 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

Passed the Senate February 9, 2012,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

[Signature]
President of the Senate

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

9th day of March, 2012,

at 8:33 o'clock A M.

[Signature]
Secretary to the Governor

Approved this 9th day of

March, 2012

at 10:34 o'clock P M.

[Signature]
Governor of Arizona

S.B. 1366

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 13th day of March, 2012

at 3:16 o'clock P M.

[Signature]
Secretary of State